

# Latam Daily Flash

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Economic Analysis

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*On Friday, monthly inflation in Chile surprised to the upside, but still posted a declining trend and in Colombia, low inflation was shown to be one of the main determinants for the 25bp rate cut in January. In Peru, further signs of strong economic activity emerged as business confidence registered its highest level of the last two years. In Mexico, gross fixed investment rose in November, as we expected. Today should be a quiet day in Latam, with just the balance of trade (revised data) and industrial production to be released in Mexico.*

## Colombia - January central bank minutes and quarterly inflation report

The minutes revealed that the unexpectedly low inflation in December was one of the main drivers for the 25bp cut. The minutes also showed that the majority of the Board considers that while it is necessary to maintain an expansionary policy rate, it is also desirable to be "prudent with the policy measures", suggesting that an aggressive interest-rate cut is not likely. On the other hand, in the quarterly inflation report Banrep's Chairman said that the bank is expecting GDP growth of between 2.0% and 3.5% for 4Q12 (BBVAe 3.0%), with very considerable uncertainty about the pace of civil engineering works, and activity increasing below its potential in 2013.

## Chile - Monthly inflation stood at 0.2% in January, surprising to the upside

Monthly inflation reached 0.2% in January (1.6% YoY), slightly above both our and market expectations. The underlying measures registered moderate increases, in particular CPI excluding food and energy prices was unchanged on the month and increased 1.1% YoY. For February, we expect monthly inflation to reach 0.2%, implying a slightly faster pace of price increases for 1Q13. This factor, together with the dynamism of domestic activity, adds pressure to monetary policy, although we do not expect interest-rate hikes in the medium term (see our [Chile Flash](#) for details).

## Peru - Business confidence at its highest level in the past two years

The index increased to 67 points in January, three points above the December reading. This supports our view that private investment will continue to expand in double-digits in the coming quarters, which should continue to boost domestic demand in 2013e.

## Peru - Central bank raised pension fund foreign portfolio limit again

The new limit has been raised to 34% from 32%, after a 2pp increased three weeks ago. Under the new limit, pension funds can invest an additional USD800mn abroad. We expect this measure to have only a mild impact on the exchange rate, as long as pension funds accommodate their portfolios to the new threshold gradually.

## Mexico - Gross fixed investment rose in November as expected

Gross fixed investment rose 0.79% MoM (vs. BBVAe 0.7%, sa series) in November from -0.3% MoM in October. Machinery and equipment increased the most, at 3.82% MoM, while construction investment fell 0.95% MoM. In annual terms, gross investment increased 12.3%, imports of machinery and equipment 9.3% YoY, domestic production of machinery 19.9% and construction 0.2%. These data confirm our view of GDP growth of 3.9% YoY in 2012e.

## What to watch today

### Mexico – Industrial production (December, 9:00hrs. NYT)

Industrial production should have continued to moderate at the end of 2012e. We expect a monthly expansion of 0.1% MoM (sa series), in line with industrial production in US in December (0.3% MoM and 0.8% MoM in manufacturing) and the increase in Mexican producer confidence.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
Economic Activity Indx MoM SA	13-20 FEB	Dec	--	--	--	0.40%
FIPE CPI - Weekly	14-Feb	Feb-11	1.07%	--	--	1.04%
CAGED Formal Job Creation	14-21 FEB	Jan	30000	--	--	-496944
FGV Inflation IGP-10 (MoM)	15-Feb	Feb	0.37%	--	--	0.42%
<b>Chile</b>						
Economist's survey	12-Feb	Feb	--	--	--	--
Financial Trader's Survey	13-Feb	Feb	--	--	--	--
Nominal Overnight Rate Target	14-Feb	Feb-18	5.00%	5.00%	--	5.00%
<b>Colombia</b>						
Consumer Confidence	11-15 FEB	Jan	24.30	21.5	--	21.5
Exports FOB - US\$ million	14-Feb	Dec	--	\$4852	--	\$4732.4
Outstanding Loans	14-20 FEB	Dec	--	--	--	\$244.1B
<b>Mexico</b>						
Trade Balance	11-Feb	Dec F	961.7M	961.7M	--	961.7M
Industrial Production (YoY)	11-Feb	Dec	2.00%	2.60%	--	2.80%
Central Bank 4Q Inflation Report	13-Feb	--	--	--	--	--
<b>Peru</b>						
Unemployment	15-Feb	Jan	6.00%	--	--	5.60%
Economic Activity Indx YoY NSA	15-Feb	Dec	6.05%	--	--	6.80%

## Most recent Latam reports

Date	Description
8-2-2013	<a href="#">➤ Chile Flash: Monthly inflation stood at 0.2% in January, surprising to the upside</a>
7-2-2013	<a href="#">➤ Peru Flash: Central Bank keeps neutral tone for its policy rate</a>
7-2-2013	<a href="#">➤ Mexico Flash: January's inflation: Monthly Inflation Surprises Upwards due to Telephone Services; However Inflation keeps Easing Annually</a>
7-2-2013	<a href="#">➤ Brazil Flash: Inflation at uncomfortably high levels</a>
5-2-2013	<a href="#">➤ Colombia Flash: Consumer inflation dropped to 2.0% YoY in January, standing at the lower bound of the inflation target band</a>
5-2-2013	<a href="#">➤ Chile Flash: Economic activity shows moderate slowdown at the end of 2012</a>
1-2-2013	<a href="#">➤ Banxico Watch: Banxico seems to be targeting a cut but the uncertainty remains: how to play it?</a>
1-2-2013	<a href="#">➤ Peru Flash: Annual inflation remained within the target range</a>
1-2-2013	<a href="#">➤ Chile Flash: Minutes of the January's meeting turn to a more hawkish view</a>
31-1-2013	<a href="#">➤ Working Paper: Expanding Credit and Savings in Peru</a>

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